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## Egypt

### **Government Reforms its Infant Milk Formula Program Effective August 1, 2016, and Sources U.S. Infant Milk Formula to Address Market Shortages**

**Report Categories:**

Dairy and Products

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**Report Highlights:**

Starting on August 1, beneficiaries without government-issued smart cards will not be able to purchase fully subsidized infant milk formula. The new measure is an attempt to stop leakages in the subsidy system, as well as ensuring that it reaches the intended end-users. The government is also studying the possibility of setting price controls for non-subsidized infant powdered milk. Prices have increased by an average of 30-40 percent during the last couple of months. To address the high prices, the government, through a direct purchase, procured U.S. powdered milk formula that will be available by November.

## General Information:

### Reforming the Subsidy Program

Shortages of subsidized infant powdered milk has always been a nagging problem in Egypt, however, it has been accentuated with the current forex crunch. Reports indicate that shortages reached crisis levels in several governorates, prompting the Ministry of Health and Population (MoHP) to intervene by sending extra shipments of subsidized milk to meet their needs. Members of Parliament have summoned government officials to explain the reasons behind the shortage, and the price increases of the non-subsidized infant powdered milk.

Under the subsidized program, the MoHP stated that it secures strategic reserve enough for six months of consumption and the quantities distributed are enough to meet local consumption. However, beneficiaries are accusing the authorized pharmacies of profit-seeking selling the subsidized milk at higher prices. They also allege that senior employees of the Egyptian Pharmaceutical Trading Company, a subsidiary of the MoHP's pharmaceutical holding company in charge of distributing drugs and the subsidized infant formula, are siphoning the formula and selling it to bakers. The ongoing complaints and shortages impelled the government to set new policies in an effort to improve the subsidy system, offering three different types of subsidized infant powdered milk:

Table (1): Children's Subsidized Powdered Milk				
Age	Fully or Partially Subsidized	Subsidized Price For Beneficiaries	Actual Price Paid by MoHP	Average Market Price for Similar Product
Formula for Infants 1 day - 6 months age "Red Can"	Fully	EGP 3/can (\$0.33 cents)	The average price of the product paid by the government in the last tender occurred in April 2016 was EGP 26/can (\$2.9)	The average market price for similar product is EGP 60-80/can (\$6.7-9)
Formula for Infants 1 day - 6 months age "Green Can"	Partially	EGP 17/can (\$1.9)		
Follow-up Formula for Infants Over 6 months age "Blue Can"	Partially	EGP 18/can (\$2)		

Starting on August 1, 2016, beneficiaries eligible for the fully subsidized infant powdered milk formula, the red can, must use their smart cards to get their allowances. According to MoHP, beneficiaries have to meet the following conditions: the mother is not capable of breastfeeding her infant, passed-away, delivered more than one child, has a disease(s) that prevents her from breastfeeding, or takes medicines can negatively affect the child through her milk.

In order to obtain the smart card, beneficiaries must apply at any of the Egyptian Postal Service's

branches with the supporting documents and MoHP's approval. Beneficiaries will receive their monthly allowance using their smart cards at MoHP's Maternal and Child Centers that are equipped with card readers. MoHP stated that it has around 1005 centers in all governorates equipped with the card reading machines.

For the partially subsidized powdered infant milk, the green and blue cans for children above 6 months, beneficiaries will obtain their allowances from any pharmacy registered with MoHP, and do not require a smart card but the child's birth certificate will suffice. Under the reformed program, each eligible child receives a total of 64 cans of infant formula, of which 40 cans of fully subsidized red cans during his first six months age, and the other 24 cans after the age of six months.

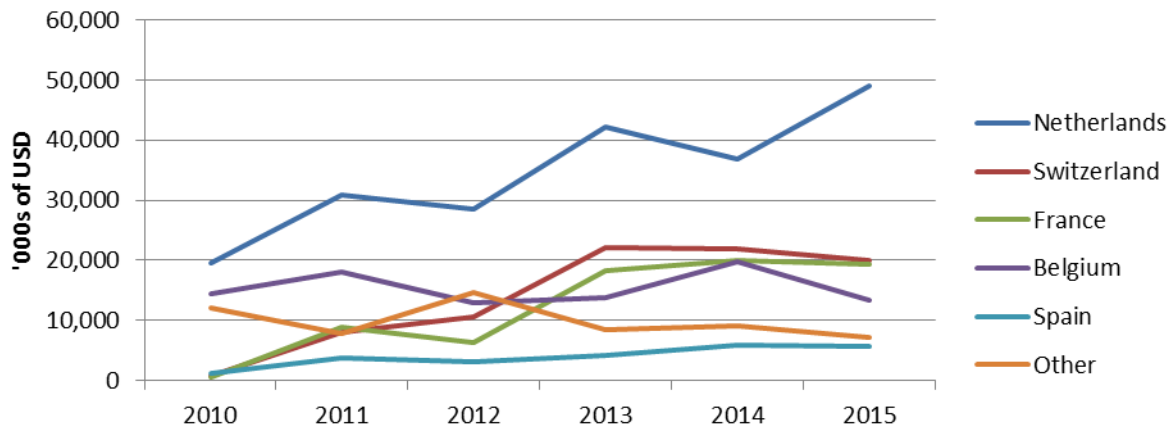
The government has allocated EGP 600 million (\$67.5 million) in FY2016/17 general budget to subsidize pharmaceutical and infant milk subsidy programs. Government said that so far around EGP 500 million (\$56 million) spent in FY2015/16 to buy around 23 million cans of powdered milk (one can is 366 grams) compared to 19 million cans purchased in FY2014/2015.

The MoHP procures the infant powdered milk formula through international tenders. The Egyptian Pharmaceutical Trading Company, the local agent of four branded infant powdered milk companies in Switzerland, Netherlands, Belgium and Turkey, won the last tender announced on April 2016.

### **Price Hikes**

The government is taking extra efforts to control price increases of non-subsidized infant powdered milk, as these have increased by nearly 40 percent since April. At the time, a can of non-subsidized infant powdered milk formula sold at EGP 45-55 (\$5), and is now currently selling at EGP 60-80/can (\$6.7-9). In July 2016, the government announced that MoHP's Holding Company for Pharmaceuticals signed a contract with a U.S. company to supply infant powdered milk formula to the local market. The government said that the first shipment contains around one million cans and is expected to be available by early November, which should address shortages as well as driving prices down. The milk will be sold under the local brand "Egymilk" at a fixed price of EGP 33/can (\$3.7). Traditionally, the U.S. has not been a supplier, so it was a welcoming development that a U.S. supplier was able to break into the Egyptian market (figure 2).

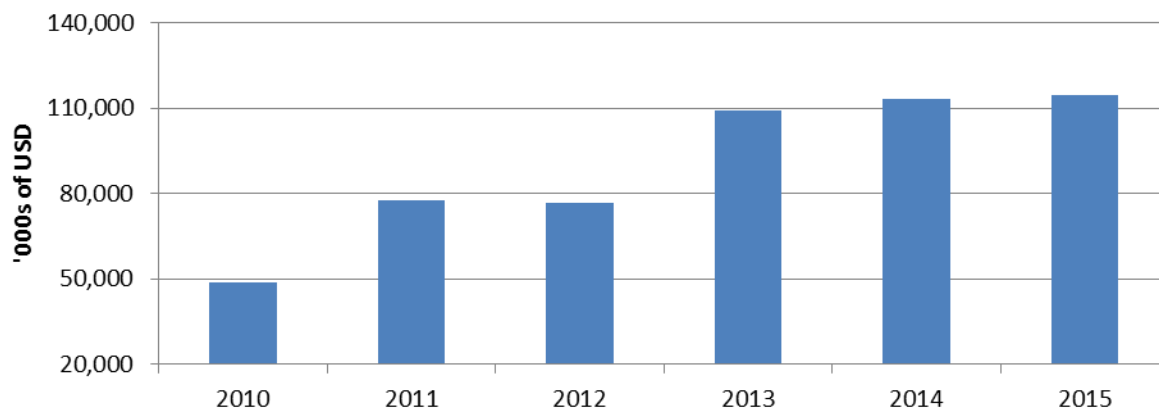
**Figure 2: Egypt's Imports of Infant Formula by Origin**



Source:CAPMAS

In June 2016, Egypt’s total population reached 91 million people. According to Egypt’s Central Agency for Public Mobilization and Statistics (CAPMAS), Egypt’s population growth rate is one of country’s most important challenges. In 2015, the population growth rate recorded 2.4 percent, five times the rate in developed countries, and doubles the rate in developing countries. With this growth rate, over 2 million Egyptian babies are born every year, demanding significant quantities of imported infant formula (figure 3).

**Figure 3: Egypt's Infant Formula Imports by Year**



Source:CAPMAS